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ABSTRACT

A summary of the 1983 report of Maryland's Financial Aid Task Force is presented that identifies four goals for student financial aid programs and provides statistical findings, interpretations, and recommendations. It is noted that the Task Force focused on the level of student financial need and the appropriate role of the state in meeting this need. Analysis of the adequacy of student support was estimated by using an average minimum cost necessary for a student to attend college. Recommendations are offered regarding the following existing programs: the General State Scholarship Program, the Distinguished Scholar Program, the Proprietary School Program, the Professional School Program, and the Delegate Scholarship Program. The establishment of a College Work Study program and the creation of merit-based scholarships to encourage students to become teachers in areas of critical shortages are also recommended. (SW)

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REPORT BY THE TASK FORCE ON STUDENT FINANCIAL AID

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Report by the Task Force on Student Financial Aid

The 1983 Report of the Joint Chairmen of the Senate Budget and Taxation Committee and the House Appropriations Committee recommended that a representative task force be established by SBHE to address policy recommendations concerning the State's future role in student financial support.

In response to this request, the State Board for Higher Education established a Financial Aid Task Force composed of members from the House of Delegates, a representative from the Governor's office and the Department of Budget and Fiscal Planning, representatives from all segments of higher education, financial aid officers, the directors of the State Scholarship Board and the Higher Education Loan Corporation, and a student representative. Members of the Senate were invited to participate on the Task Force. The Task Force completed its study in August 1983, and its report was adopted by the State Board for Higher Education on November 3, 1983. The analysis and recommendations contained in that report are summarized below.

Goals for Student Financial Aid Programs

The Financial Aid Task Force determined that there were three primary goals for student financial aid programs. These are:

(1) To insure access for qualified entering and continuing students to higher education.
(2) To provide choice among types of institutions.
(3) To encourage high ability students to attend college in Maryland.

In addition, the Task Force agreed on a fourth goal of somewhat lesser importance:

(4) To encourage students to prepare themselves to enter fields where a scarcity of trained personnel exists.

The Need for Student Financial Aid in Maryland

The Task Force members invested a significant amount of their time discussing the level of student financial need and the appropriate role of the State in meeting this need. With regard to direct student financial assistance, the SBHE's 1982 Financial Aid Report found that the State of Maryland does not bear the major financial responsibility for meeting these goals. The Federal Government is the largest provider of financial aid. About 77 percent of the support for undergraduate students and 44 percent for graduate students comes from federal programs. Private and institutional programs provide 17 percent of the support for undergraduates and 55 percent for graduate students. Direct State programs provide five percent of the financial support for undergraduates and one percent for graduate students.

Loans, which must be repaid, are the single largest program of student financial support. In FY 1981-82 a total of $68,125,548 was provided to Maryland students through federal, institutional and private loan programs. Federal programs supported 99.4 percent of these loans with the Guaranteed Student Loan Program (GSL) providing $59,816,640 and the National Direct Student Loan Program (NDSL) providing $6,977,458.

Grant programs provided Maryland students with a total of $45,140,668 in awards in FY 1981-82. Again, most of these funds (80.3 percent) were provided by the Federal Government. Pell Grants and Supplemental Educational Opportunity Grants are the largest federal grant programs, with Maryland students receiving $29,929,286 and $5,368,935 respectively. Institutional and private programs are also a significant source of grant aid; almost ten million dollars were provided in FY 1981-82.

Scholarships provide another form of aid for students. In FY 1981-82, $18,367,502 were awarded to Maryland students. The Federal Government's share of these funds was only 8.0 percent while the State's share was 32.7 percent. Federal funds are provided primarily through the State Student Incentive Grant Program (SSIG). State Scholarship programs include the General State Scholarship program as well as Senatorial and Delegate Scholarships, a Distinguished Scholar program, a Proprietary Grant program, Other Race/Desegregation Grants, and ten other programs that are designed to attract students into areas of employment need in the State and entitlement programs for students who meet specific criteria such as children of deceased military and police officers. Institutional and private sources provide the most significant portion of all scholarship funds (59.3 percent) through a variety of programs such as high ability and athletic scholarships and tuition waivers.

Another major category of student financial aid is student employment. In FY 1981-82, a total of $14,688,550 was distributed to Maryland students, with $9,161,848 or 62.4 percent coming from the federal College Work/Study program. The rest of the funds, $5,526,702, were provided from institutional work/study programs.

These findings should not be interpreted to mean that the State's financial commitment to the goals outlined above is negligible. On the contrary, by providing a system of relatively low cost (to the student) public higher education institutions and providing direct tax support to independent colleges and universities, the State is the single most important provider of access and choice to Maryland residents. Nonetheless, the full cost of attending an institution of postsecondary education is beyond the resources of many students and their families. While the Federal Government and the institutions provide the largest proportion of funds to help students meet these costs, they do not provide sufficient dollars to meet the total need. Maryland, therefore, has an important role to play in filling a portion of the remaining gap and designing financial aid programs which are targeted to the specific priorities of the State.

Adequacy of Student Support

Analysis of the adequacy of student support was estimated by using an average **minimum** cost necessary for a student to attend college. The estimated minimum average costs in FY 1982 for the public sector are:

	Avg. Tuition and Fees	Avg. Min. Living Costs	Avg. Min. Expenses	Avg. Min. Total
All Public Institutions	$1,000	$1,400	$400	$2,800

The estimated ability of full-time undergraduate Maryland resident students in the public sector and their families to pay the average minimum cost reveals that 64 percent of these students cannot pay this estimated minimum. In general, need-based and other support available to needy undergraduate, full-time Maryland students is about 80 percent of the amount needed to meet minimum costs. Higher costs, which may be more realistic, would of course result in even greater needs. The conclusion of the 1982 report was that, using conservative cost figures, there is an unmet need among students in college of at least $10 million at public institutions.

Another perspective on this issue can be gained by comparing financial aid funds available with changes in tuition and fees and certain economic indicators. Between Fiscal Years 1980 and 1984, federal financial aid to students at Maryland institutions will decline from $55.6 million to $50.4 million or 9.4 percent. During this same period, Guaranteed Student Loans (GSL) will increase 265 percent from $42.3 million to $112.2 million. Between FY 1980 and FY 1984, funds for State Scholarships administered by the State Scholarship Board will increase 14.1 percent from $6.3 million to $7.2 million.

Between FY 1980 and FY 1984, total enrollment increased 7.1 percent while full-time enrollment increased 1.8 percent. This combination of trends results in substantially less in grants being available per student.

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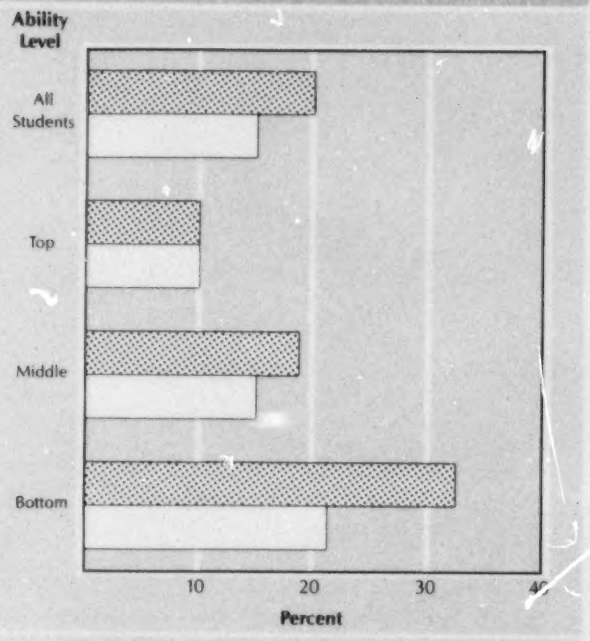
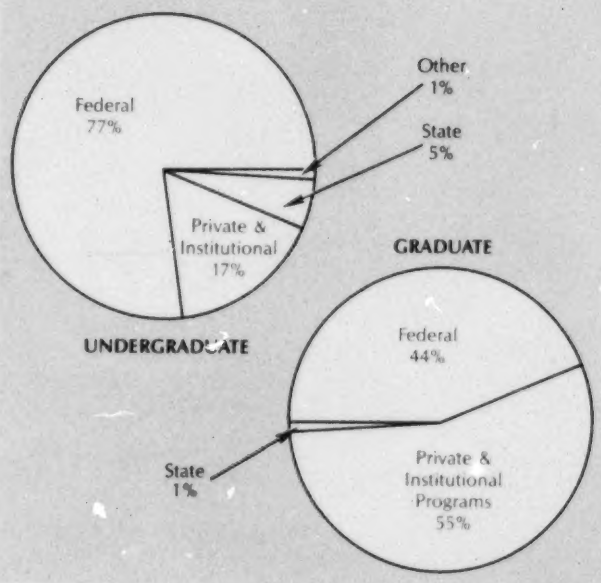
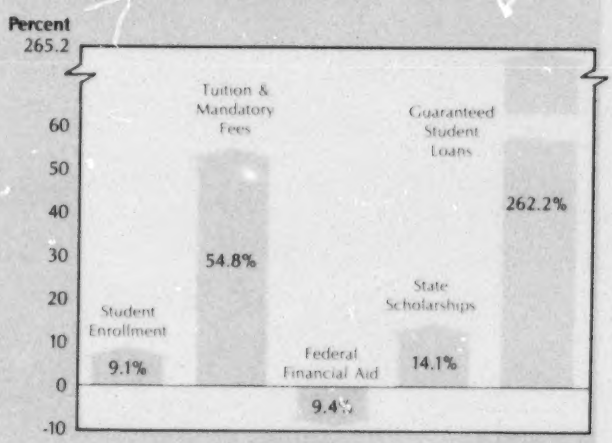
Attrition Rates in Maryland by Second Year in College by Ability and Financial Aid Fall 1981-Fall 1982



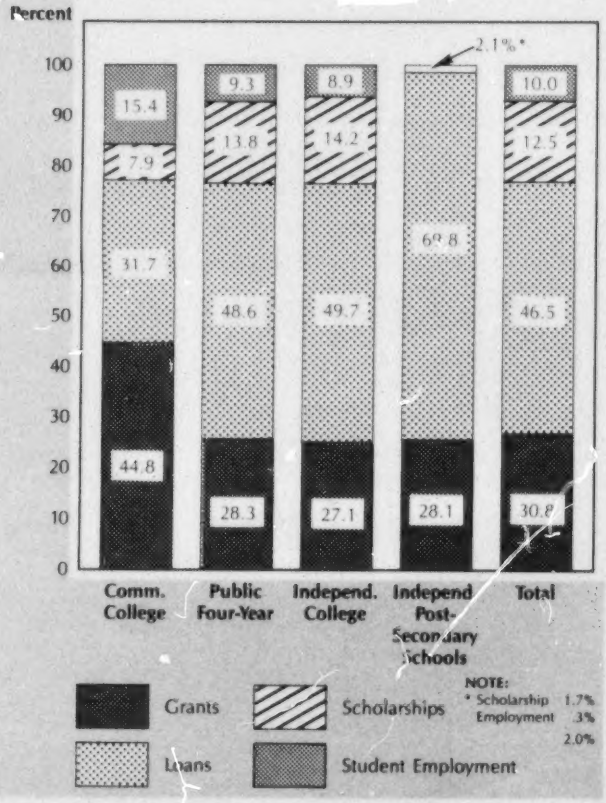
Primary Sources of Student Support in Maryland, Academic Year 1981-82



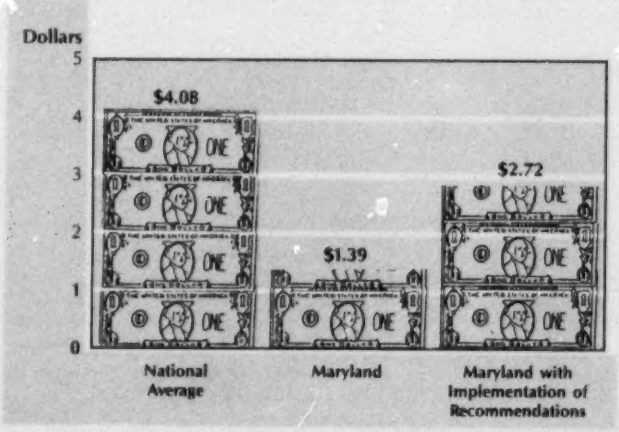
Trends in Financing the Student Costs of Higher Education in Maryland, FY 1980-84

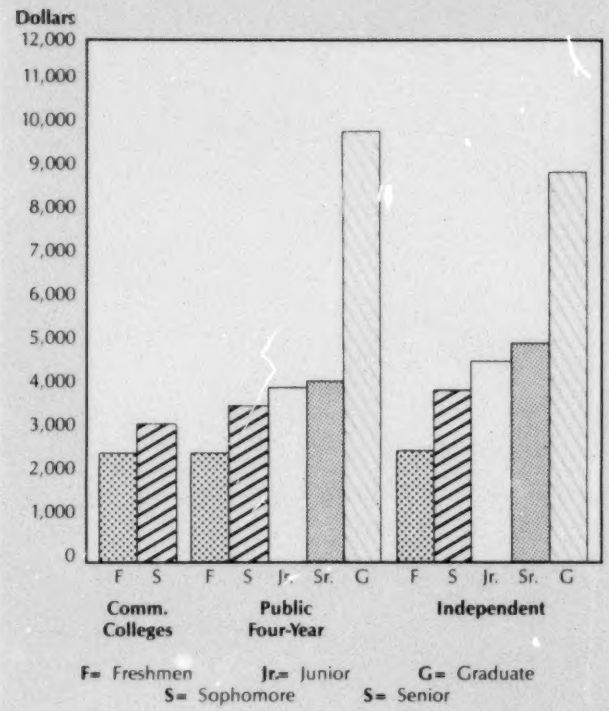


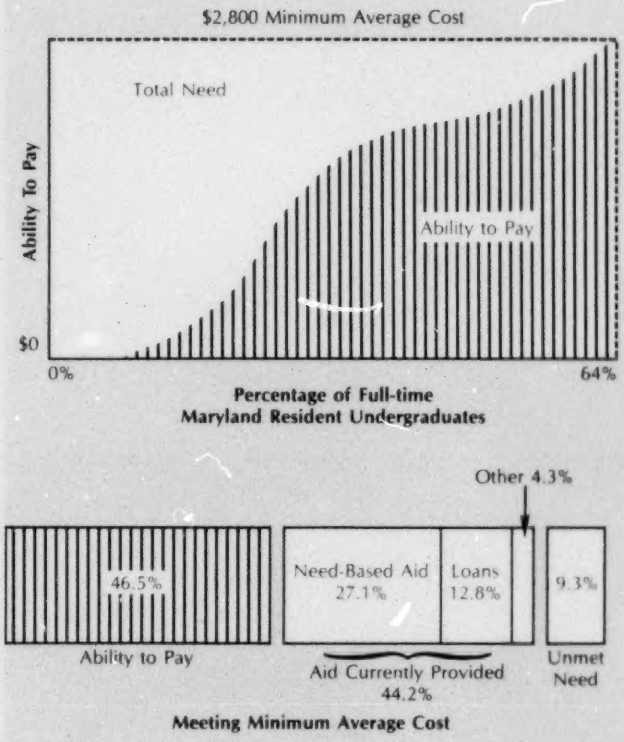
Percent Distribution by Type of Support in Maryland for Undergraduates, FY 1981-82



State Financial Aid Dollars Per Capita, 1981-82







MARYLAND STUDENT FINANCIAL SUPPORT IN DOLLARS FOR UNDERGRADUATE STUDENTS ACADEMIC YEAR 81-82

Support Type	Community Colleges	Univ. of Maryland	State Univ. and Colleges	Independent Colleges	Independent Post-Secondary	State Totals
Grants						
Pell/BEOG	9,891,670	6,502,219	8,824,382	3,861,903	849,112	29,929,286
Supplemental Ed. Opportunity	1,504,399	897,423	1,613,763	1,247,269	106,081	5,368,935
Other	226,180	2,130,780	352,401	6,962,830	170,256	9,842,447
SUB-TOTAL	11,622,249	9,530,422	10,790,546	12,072,002	1,125,449	45,140,668
Loans						
National Direct Student	648,826	1,941,282	1,765,565	2,472,631	149,154	6,977,458
Guaranteed Student	7,409,817	17,961,321	12,848,789	19,022,550	2,574,163	59,816,640
Other	172,920	288,176	152,077	646,053	72,224	1,331,450
SUB-TOTAL	8,231,563	20,190,779	14,766,431	22,141,234	2,795,541	68,125,548
Scholarships						
State	527,447	2,374,538	2,268,799	2,207,206	32,450	7,410,440
Federal	7,819	67,780	0	0	0	75,599
Institutional & Private	1,043,516	2,461,387	1,211,210	3,074,531	35,052	7,825,696
Tuition Waivers	488,562	1,096,712	427,293	1,041,800	1,400	3,055,767
SUB-TOTAL	2,067,344	6,000,417	3,907,302	6,323,537	68,902	18,367,502
Student Employment						
College Work/Study	3,258,149	1,056,997	2,345,210	2,498,967	2,525	9,161,848
Institutional	750,779	751,925	2,531,965	1,484,318	7,715	5,526,702
SUB-TOTAL	4,008,928	1,808,922	4,877,175	3,983,285	10,240	14,688,550
TOTAL SUPPORT	25,930,084	36,530,540	34,341,454	44,520,058	4,000,132	146,322,268
Less Fringe Benefits	247,227	731,816	408,276	898,193	0	2,285,512
TOTAL AID	25,682,857	36,798,724	33,933,178	43,621,865	4,000,132	144,036,756

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Between FY 1980 and FY 1984, tuition and mandatory fees will have increased almost 55 percent at higher education institutions in Maryland. During the same period, the Consumer Price Index has increased more than 25 percent. Thus, while available financial aid resources have been declining, costs have been increasing faster than inflation and faster than increases in available income. A projection of the SBHE FY 1982 data indicates that the gap between the cost of higher education and the resources available to pay for the cost is increasing. The gap is being filled in part by increased borrowing among students.

The large student dependence on loans is of concern. The data show that the average current graduating senior has a total indebtedness of some $5,000; however, the indebtedness of current freshmen is almost $2,500. Annual borrowing at that rate will result in about $10,000 of debt upon graduation. The average graduate and professional student is now indebted for almost $11,000.

Relationship between Financial Aid and Attrition Rates

The attrition data indicate that, irrespective of income, the probability of returning to college is greater for students with higher academic ability as measured by SAT scores or high school grade point averages. However, the receipt of financial aid can improve attrition rates of students, particularly among average and lower ability students.

Maryland's Effort in Support of Higher Education Compared with Other States

The direct contribution or subsidy which the State of Maryland makes in support of institutions ranks substantially below the average of other states. The most recent available data indicate that Maryland spends about $200 less per FTE student than the national average. Support measured on a per capita basis or per $1,000 of personal income is also well below the national average.

The State of Maryland also ranks below the national average in state financial aid programs. Maryland provides about $1.39 per capita in financial aid from state financial aid programs as compared with a national average of more than $4.00.

Recommendations

The Task Force concluded that a minimum of $5.6 million more in State financial aid is necessary to promote the State's goals. The Task Force has chosen to make recommendations for additional funding and program changes in three areas:

I. Changes to Existing Programs—$3.4 million

A. **General State Scholarship Program**—Funding in this program should be increased by $3 million in General Funds with $2 million of the increase provided in FY 1985. The Task Force's specific recommendations for this program include:

1. The number of eligible students who receive GSS awards should be increased.
2. The amount of the GSS award should be increased to 30 percent of unmet need after taking into account family contribution and Pell awards.
3. The maximum GSS should be increased from $1,500 to $2,000.
4. Students should be allowed to hold both a General State Scholarship and a Senatorial or Delegate Scholarship.

B. **Distinguished Scholar Program**—The award in this program should be increased from $800 to $1,000 per student. It would require $240,000 to fund this increase for the 1,200 scholarships in this program.

C. **Proprietary School Program**—Funding in this program should be increased $100,000 to provide aid for additional eligible applicants. This would provide $200,000 in the program.

D. **Professional School Program**—Funding in this program should be increased by $60,000 to provide aid for additional eligible applicants. This would provide $210,000 in the program.

E. **Delegate Scholarship Program**—The rules in this program should be changed to provide each delegate with the funds equivalent to in-state tuition and mandatory fees at the University of Maryland-College Park for two students. The Delegates should then be permitted to distribute these funds among as many students as they choose.

II. New Programs

A. **College Work Study—$2 million**

1. The State should establish a Maryland College work study program to provide self-help aid to students with demonstrated financial need attending eligible postsecondary institutions in Maryland. Such self-help opportunity allows students to earn some portion of their expenses.
2. A student would be eligible for an award if: he/she were enrolled at least half-time as a graduate or undergraduate at an eligible Maryland institution, maintained satisfactory progress according to institutional policy, and demonstrated financial need as calculated through an approved needs analysis system.
3. Eligible work/study employers would be non-profit institutions of postsecondary education and any other non-profit, nonsectarian organization or governmental agency. After the first year of operation, consideration would be given to allow participating students to work at certain for-profit businesses which offer work experiences related to their major.
4. A student could work a maximum of 20 hours per week during term time employment and 40 hours per week during non-term time employment at no less than minimum wage.

B. **Teachers in Areas of Critical Shortage—Minimum of $200,000 Within Four Years**

1. A merit-based program of scholarships should be established to encourage students to become teachers in areas of critical shortage.
2. Scholarships of $2,500 each should be made available each year to students who are Maryland residents and who attend an institution of higher education in Maryland.
3. The program should be highly competitive and perceived as an honor, with scholarships going to entering freshmen with a high school grade point average of 3.5 on a 4.0 scale. Awards would be distributed to upperclassmen based on college grade point averages. A minimum average of 3.0 would be required to receive an award.
4. In order to retain the scholarship, a student would have to achieve at least a 3.0 average in college work and be making satisfactory progress toward the degree.
5. For each year a student receives the scholarship, the student would be required to agree to teach for one year in an area of critical shortage in a public school in Maryland. If this obligation were not fulfilled, the amount of the scholarship plus interest at a rate equal to the prime rate plus one percent would have to be repaid to the State within a period not to exceed ten years.

III. Areas of Further Study

Areas identified for further study included aid to graduate students and the establishment of maximum dollar limits and a revised distribution system for student aid funds administered by the Maryland State Scholarship Board.